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COMMISSION

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John J. Finnigan, Jr.
Associate General Counsel

VIA FAX AND OVERNIGHT MAIL

August 15, 2006

Ms. Joyce Speer
Public Service Commission
Commonwealth of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: In the Matter of an Adjustment of Gas Rates of The Union Light, Heat and Power Company, Case No. 2001-00092; and

In the Matter of the Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control, Case No. 2005-00228.

Dear Ms. Speer:

Pursuant to the Commission's January 31, 2002 Order in Case No. 2001-00092 and the Commission's November 29, 2005 Order in Case No. 2005-00228, Duke Energy Kentucky is required to file quarterly financial statements and a report on the Company's capital structure. I have enclosed ULH&P's supplemental financial statement for the quarter ending June 30, 2006, and a capital structure report. Please file-stamp the extra copy and return to me in the overnight envelope provided.

If you have any questions regarding the financial statements, please contact Ms. Peggy A. Laub, Manager, USFE&G Midwest Accounting at (513) 287-4291.

Very truly yours,

John J. Finnigan, Jr.

Enclosure as stated
JJF/sew

cc: Ms. Peggy A. Laub

The Union Light, Heat and Power Company dba Duke Energy Kentucky

Quarterly Supplemental Financial Statements

Balance Sheet - Page 1

As of June 30, 2006

(Unaudited)

	<u>Electric Jurisdictional</u>	<u>Gas Jurisdictional</u>	<u>Non- Jurisdictional</u>	<u>Total Company</u>
<u>Assets</u>				
Utility Plant in Service	1,073,258,167	284,985,288	10,992,352	1,369,235,807
Construction Work in Progress	23,708,306	8,258,657	0	31,966,963
Less Accum. Depreciation	<u>(516,585,923)</u>	<u>(86,564,785)</u>	<u>(6,917,386)</u>	<u>(610,068,094)</u>
Net Utility Plant	<u>580,380,550</u>	<u>206,679,160</u>	<u>4,074,966</u>	<u>791,134,676</u>
Nonutility Property	0	0	11,570,785	11,570,785
Other Investments	0	0	2,500	2,500
Special Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Property & Investments	<u>0</u>	<u>0</u>	<u>11,573,285</u>	<u>11,573,284</u>
Cash	4,683,188	1,604,011	164,717	6,451,916
Special Deposits	0	0	0	
Working Funds	1,815	622	64	2,500
Temporary Cash Investments	0	0	0	
Notes Receivable	0	0	0	
Customer Accounts Receivable	813,832	479,328	0	1,293,160
Other Accounts Receivable	2,829,594	981,348	164,984	3,975,926
Less Provision for Uncollectibles	<u>(168,898)</u>	<u>(63,239)</u>	<u>0</u>	<u>(232,136)</u>
Notes Receivable from Assoc. Co.	4,964,455	1,700,347	174,610	6,839,413
Accounts Receivable from Assoc. Co.	<u>(1,614,605)</u>	<u>(553,009)</u>	<u>(56,789)</u>	<u>(2,224,403)</u>
Fuel Stock	0	1,824,189	9,658,445	11,482,633
Plant Materials & Operating Supplies	7,869,245	546,749	0	8,415,994
Other Materials & Supplies	<u>(153,900)</u>	<u>(10,694)</u>	<u>0</u>	<u>(164,592)</u>
Stores Expense Undistributed	336,073	23,350	0	359,423
Gas Stored Underground - Current	0	0	0	0
Prepayments	4,232,016	2,003,459	0	6,235,474
Interest & Dividends Receivable	0	0	0	0
Misc. Current & Accrued Assets	<u>9,733,916</u>	<u>0</u>	<u>0</u>	<u>9,733,916</u>
Total Current & Accrued Assets	<u>33,526,731</u>	<u>8,536,461</u>	<u>10,106,029</u>	<u>52,169,222</u>
Unamortized Debt Expense	1,006,555	344,749	35,403	1,386,707
Extraordinary Property Losses	0	0	0	
Other Regulatory Assets	28,600,836	14,969,777	0	43,570,613
Preliminary Survey & Investigation	107,966	36,979	3,797	148,742
Clearing Accounts	253,848	183,633	8,674	446,154
Temporary Facilities	<u>(166,160)</u>	<u>0</u>	<u>0</u>	<u>(166,160)</u>
Miscellaneous Deferred Debits	1,696,270	279,479	28,700	2,004,449
Unamortized Loss on Reacquired Debt	2,369,467	811,552	83,339	3,264,359
Accumulated Deferred Income Taxes	1,923,259	1,193,775	5,902,627	9,019,661
Unrecovered Purchased Gas Costs	<u>0</u>	<u>(125,249)</u>	<u>0</u>	<u>(125,249)</u>
Total Deferred Debits	<u>35,792,041</u>	<u>17,694,696</u>	<u>6,062,539</u>	<u>59,549,276</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>649,699,321</u></u>	<u><u>232,910,317</u></u>	<u><u>31,816,820</u></u>	<u><u>914,426,457</u></u>

The Union Light, Heat and Power Company dba Duke Energy Kentucky

Quarterly Supplemental Financial Statements

Balance Sheet - Page 2

As of June 30, 2006

(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Proprietary Capital</u>				
Common Stock Issued	6,373,047	2,182,795	224,153	8,779,995
Premium on Capital Stock	13,674,437	4,683,550	480,958	18,838,946
Other Paid-in Capital Stock	172,486,620	(19,643,047)	(8,067,602)	144,775,972
Less Capital Stock Expense	0	0	0	0
Retained Earnings	47,069,889	94,721,775	32,362,169	174,153,833
Accumulated Other Comprehensive Income	(1,686,034)	(577,474)	(59,301)	(2,322,809)
Total Proprietary Capital	237,917,959	81,367,599	24,940,377	344,225,937
<u>Liabilities</u>				
Bonds	141,542,700	48,478,950	4,978,350	195,000,000
Less Reacquired Bonds	0	0	0	0
Other Long-Term Debt	0	0	0	0
Unamortized Premium on Long-Term Debt	0	0	0	0
Less Unamortized Discount on Long-Term Debt	(552,308)	(189,168)	(19,425)	(760,902)
Less Current Portion of Long-Term Debt	0	0	0	0
Total Long-Term Debt	140,990,392	48,289,782	4,958,925	194,239,098
Obligations Under Capital Leases - Noncurrent	13,981,313	4,746,586	0	18,727,899
Accum. Provision for Injuries & Damages	453,748	0	0	453,748
Accum. Misc. Operating Provisions	5,356,079	3,874,560	183,002	9,413,641
Total Other Noncurrent Liabilities	19,791,140	8,621,146	183,002	28,595,288
Current Portion of Long-Term Debt	0	0	0	0
Notes Payable	0	0	0	0
Accounts Payable	9,895,640	3,389,297	348,050	13,632,987
Notes Payable to Assoc. Co.	62,586,848	21,436,250	2,201,309	86,224,407
Accounts Payable to Assoc. Co.	11,547,948	3,955,219	406,165	15,909,333
Customer Deposits	2,695,394	1,812,707	0	4,508,101
Taxes Accrued	4,237,377	6,501,737	265,388	11,004,501
Interest Accrued	3,287,302	1,125,914	115,621	4,528,837
Tax Collections Payable	617,677	471,473	47,012	1,136,162
Misc. Current & Accrued Liabilities	940,492	680,347	32,134	1,652,973
Obligations Under Capital Leases - Current	959,775	325,839	0	1,285,614
Total Current & Accrued Liabilities	96,768,453	39,698,783	3,415,680	139,882,914
Customer Advances for Construction	0	2,335,249	0	2,335,249
Accum. Deferred Investment Tax Credits	5,776,785	1,397,865	0	7,174,650
Other Deferred Credits	4,795,326	9,381,250	0	14,176,576
Other Regulatory Liabilities	23,374,789	10,014,905	0	33,389,694
Accumulated Deferred Income Taxes	120,284,477	31,803,738	(1,681,165)	150,407,051
Total Deferred Credits	154,231,377	54,933,007	(1,681,165)	207,483,220
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	649,699,321	232,910,317	31,816,820	914,426,457

The Union Light, Heat and Power Company dba Duke Energy Kentucky

**Quarterly Supplemental Financial Statements
Income Statement
For the 12 Months Ended June 30, 2006
(Unaudited)**

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	96,340,726	93,867,282	0	190,208,009
Commercial Sales	93,236,004	38,992,042	0	132,228,047
Industrial Sales	40,721,699	6,798,449	0	47,520,148
Sales to Public Authorities	17,533,296	6,330,609	0	23,863,905
Public Street & Highway Lighting	1,416,368	0	0	1,416,368
Inter-Departmental Sales	205,289	90,161	0	295,451
Forfeited Discounts	0	0	0	0
Misc. Service Revenues	289,533	30,453	435,556	755,542
Revenues from Transportation	0	4,604,501	0	4,604,501
Rents from Property	1,086,987	34,176	1,395,699	2,516,862
Interdepartmental Rents	0	0	0	0
Other Revenues	4,507,310	26,453	0	4,533,763
Less Provision for Rate Refunds	0	0	0	0
Total Revenues	255,337,213	150,774,126	1,831,255	407,942,595
<u>Operating Expenses</u>				
Operation Expense	196,724,746	125,035,501	83,633	321,843,880
Maintenance Expense	14,607,223	1,710,832	123,042	16,441,096
Depreciation Expense	9,690,326	6,848,479	10,110,767	26,649,572
Amortization and Depletion	1,293,527	1,032,261	0	2,325,787
Taxes Other than Income Taxes	3,690,564	2,817,007	280,892	6,788,463
Income Taxes - Federal & Other	2,167,700	3,326,070	135,763	5,629,533
Provision of Deferred Income Taxes - Net	(1,285,783)	1,045,832	1,792,486	1,552,535
Investment Tax Credit Adjustment	0	(24,514)	24,514	0
Total Operating Expenses	226,888,301	141,791,468	12,551,097	381,230,867
NET OPERATING INCOME	28,448,912	8,982,658	(10,719,842)	26,711,728
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	0	0	965,682	965,682
Less Expense of Merchandising, Jobbing and Contract Work	0	0	(515,814)	(515,814)
Revenues from Nonutility Operations	0	0	11,751	11,751
Less Expenses from Nonutility Operations	0	0	0	0
Interest & Dividend Income	0	0	2,983,385	2,983,385
AFUDC	397,735	305,449		703,184
Gain on Disposition of Property	0	0	0	0
Loss on Disposition of Property	0	0	(60,081)	(60,081)
Misc. Income Deductions	0	0	1,442,782	1,442,782
Taxes Other than Income Taxes	0	0	0	0
Income Taxes - Federal & Other	0	0	(1,395,943)	(1,395,943)
Provision for Deferred Income Taxes - Net	0	0	0	0
Total Other Income & Deductions	397,735	305,449	3,431,762	4,134,946
<u>Interest Charges</u>				
Interest on Long Term Debt	(5,719,446)	(1,958,933)	(201,165)	(7,879,544)
Amortization of Debt Disc. And Expense	(369,405)	(126,523)	(12,993)	(508,921)
Amortization of Loss on Reacquired Debt	0	0	0	0
Interest on Debt to Assoc Co	(1,918,618)	(657,134)	(67,482)	(2,643,234)
Other Interest Expense	(592,844)	(203,051)	(20,852)	(816,747)
Less Allowance for Borrowed Fund Used During Construction - Credit	118,875	97,894	113,074	538,502
Net interest Charges	(8,481,438)	(2,847,747)	(189,418)	(11,518,603)
Extraordinary Items after Taxes	0	0	0	0
NET INCOME	20,365,209	6,440,361	(7,477,498)	19,328,072

Union Light Heat & Power Company
DBA Duke Energy of Kentucky
Capital Structure
June 30, 2006

	Actual March 2006	Activity	Actual June 2006
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
M2310 Long-term debt	\$ 269,749,908	\$ (14,790,810)	\$ 254,959,098
M2430 Obligations under Capital Lease-Noncurr	\$ 10,774,245	\$ (323,864)	\$ 10,450,381
Total Long-term debt	\$ 280,524,153	\$ (15,114,674)	\$ 265,409,480
Common Stock Equity			
201000 Common Stock	\$ 8,779,995	\$ -	\$ 8,779,995
207000 Prem On Capital Stock Common	\$ 18,838,946	\$ -	\$ 18,838,946
208000 Donat Recvd From Stkhld	\$ 139,855,098	\$ -	\$ 139,855,098
208010 Donat Recvd From Stkhld Tax	\$ 5,077,068	\$ -	\$ 5,077,068
211110 PIC - Sharesaver	\$ (156,194)	\$ -	\$ (156,194)
216000 Unappropriated RE Bal	\$ 176,600,155	\$ -	\$ 176,600,155
216990 Unapp Ret Erngs-Curr Yr Net In	\$ -	\$ (2,446,321)	\$ (2,446,321)
438000 Dividends Declared On Common S	\$ -	\$ -	\$ -
S2750 Accum other comprehensive income (loss)	\$ (2,322,809)	\$ -	\$ (2,322,809)
Total Common Stock Equity	\$ 346,672,258	\$ (2,446,321)	\$ 344,225,937
 TOTAL CAPITALIZATION	 \$ 627,196,411	 \$ (17,560,995)	 \$ 609,635,417